



PROPOSED RULE MAKING

CR-102 (June 2004)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Board of Accountancy

- ☒ Preproposal Statement of Inquiry was filed as WSR 04-11-033 ; or
☐ Expedited Rule Making--Proposed notice was filed as WSR _____; or
☐ Proposal is exempt under RCW 34.05.310(4).

- ☒ Original Notice
☐ Supplemental Notice to WSR _____
☐ Continuance of WSR _____

Title of rule and other identifying information: (Describe Subject)

WAC 4-25-756 I am licensed in another state--How do I notify the board of my intent to enter the state in order to obtain practice privileges in the state of Washington?

WAC 4-25-782 How do I apply for an initial Washington state license through foreign reciprocity?

WAC 4-25-820 What are the requirements for participating in quality assurance review (QAR)?

Hearing location(s):Ridpath WestCoast Hotel
515 West Sprague Avenue
Spokane, WA 99201**Submit written comments to:**Name: Dana M. McInturff, Executive Director
Address: PO Box 9131
Olympia, WA 98507-9131
e-mail webmaster@cpaboard.wa.gov
fax (360)664-9190 by (date) October 15, 2004Date: October 28, 2004 Time: 1:00 p.m.**Assistance for persons with disabilities:** ContactCheryl Sexton by October 18, 2004**Date of intended adoption:** October 29, 2004

(Note: This is NOT the effective date)

TTY (800) 833-6384 or (360) 664-9194**Purpose of the proposal and its anticipated effects, including any changes in existing rules:** See attached**Reasons supporting proposal:** The Board's goal with all of its rule proposals is to:

- Promote clarity
- Ensure effective communication
- Ensure fairness in interpretation and application of the rules
- Promote efficiencies through minimizing gray areas

Statutory authority for adoption: See attached**Statute being implemented:** See attached**Is rule necessary because of a:**

- | | | |
|-------------------------|------------------------------|--|
| Federal Law? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Federal Court Decision? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| State Court Decision? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

If yes, CITATION:

DATEAugust 12, 2004**NAME (type or print)**Dana M. McInturff, CPA, CFE**SIGNATURE****TITLE:** Executive Director**CODE REVISER USE ONLY**CODE REVISER'S OFFICE
STATE OF WASHINGTON
FILEDAUG 16 2004

TIME

WSR

1:2204-17-087AM
PM

(COMPLETE REVERSE SIDE)

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) Primarily the Washington State Board of Accountancy

☐ Private
☐ Public
☒ Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting.....	Dana M. McInturff, CPA	Olympia, WA	(360) 586-0163
Implementation....	Dana M. McInturff, CPA	Olympia, WA	(360) 586-0163
Enforcement.....	Dana M. McInturff, CPA	Olympia, WA	(360) 586-0163

Has a small business economic impact statement been prepared under chapter 19.85 RCW?

☐ Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

☒ No. Explain why no statement was prepared.

The proposed rule(s) will not have more than minor economic impact on business

Is a cost-benefit analysis required under RCW 34.05.328?

☐ Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

☒ No: Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW 34.05.328.

Purpose of the proposal and its anticipated effects including any changes in existing rules:

WAC section	The suggested revision:
WAC 4-25-756	Clarifies the language regarding the provision of attest services to note that out-of-state sole practicing CPAs holding valid practice privilege are not required to have a firm license
WAC 4-25-782	Clarifies the language regarding the provision of attest services to note that out-of-state sole practicing CPAs holding valid practice privilege are not required to have a firm license
WAC 4-25-820?	<ul style="list-style-type: none"> • Revises language to align with the Board's purpose as defined in RCW 18.04.015. • Moves the following from Board policy to rule: (1) notice of required participation in QAR is mailed in January, (2) participating firms must submit a quality assurance review status form and fees by April 30, and (3) late fees will be assessed. • Adds the reasons/justification that the Board will consider when approving a late fee waiver request. • Moves subsections (e) and (f) to a more logical placement. • Removes the reference to maintain certain information in confidence (may not be possible given the Public Disclosure Act). • Clarifies that the cost of preissuance review will be at the firm's expense. • Eliminates a vague limitation as to when the board may initiate an investigation and clarifies that the board may use investigators. • Multiple verbiage improvements.

WAC section	Statutory authority for adoption	Statute being implemented:
WAC 4-25-756	RCW 18.04.350(6)	RCW 18.04.350(6)
WAC 4-25-782	RCW 18.04.183	RCW 18.04.183
WAC 4-25-820	RCW 18.04.055(9)	RCW 18.04.055(9)

AMENDATORY SECTION (Amending WSR 02-04-064, filed 1/31/02, effective 3/15/02)

WAC 4-25-756 I am licensed in another state--How do I notify the board of my intent to enter the state in order to obtain practice privileges in the state of Washington? If you hold a valid license to practice public accountancy in another state, you may practice public accountancy in Washington state under a grant of practice privileges if:

(1) You are an individual;

(2) Your qualifications are found to be substantially equivalent to a Washington licensee because:

(a) Your education, examination, and experience are deemed by the board to be substantially equivalent to Washington's requirements for initial licensure; or

(b) Your original license was issued by a state the board has deemed to be substantially equivalent to Washington's requirements;

(3) Your principal place of business is not in Washington state; and

(4) You comply with the act and all board rules applicable to Washington state licensees and subject yourself to discipline for violation of the act or board rules.

(5) You notify the board of your intent to enter the state using the form(s) provided by the board.

You need to fully complete the form(s) and submit the form(s), all applicable fees, and all required documentation to the board's office.

Notification is not complete and cannot be processed until all fees, required documentation, required information, and other documentation deemed necessary by the board are received by the board. The board will mail its confirmation of the receipt of your notification to the last address you provided to the board.

Your notification will expire on June 30 of the third calendar year following the date you submit your notification.

Provided no sanctions or investigations by other jurisdictions are in process and you have met the requirements for practice privileges, upon filing your notification with the board, you may use the CPA title in Washington state.

You must notify the board within thirty days if your license or certificate issued by another jurisdiction has lapsed or otherwise becomes invalid.

((Unless you are a sole practitioner)) With the exception of out-of-state sole practicing CPAs holding valid practice privileges in Washington state under WAC 4-25-756, you may only offer to provide attest services in a ((licensed)) CPA firm licensed by the board and meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 01-22-036, filed 10/30/01, effective 12/1/01)

WAC 4-25-782 How do I apply for an initial Washington state license through foreign reciprocity? Pursuant to RCW 18.04.183 the board may issue a license through foreign reciprocity provided you meet the requirements for application through foreign reciprocity established by the act, WAC 4-25-781 and 4-25-830(7).

To apply for an initial Washington state CPA license, you must use the foreign reciprocity application form(s) provided by the board.

You need to fully complete the form(s), and submit the form(s), all applicable fees, required information, required documentation, or other documentation deemed necessary by the board to the board's office.

An application is not complete and cannot be processed until all fees, required information, required documentation, or other documentation deemed necessary by the board are received by the board. When the processing of your application is complete, your license will be mailed to the last address you provided to the board.

Your Washington state CPA license will expire on June 30 of the third calendar year following initial licensure.

You may not use the title CPA until you have received notice from the board that your Washington state license has been approved. With the exception of out-of-state sole practicing CPAs holding valid practice privileges in Washington state under WAC 4-25-756, attest services may only be offered or performed in a CPA firm licensed by the ((Washington state)) board ((of accountancy)) and meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 02-04-064, filed 1/31/02, effective 3/15/02)

WAC 4-25-820 What are the requirements for participating in quality assurance review (QAR)? (1) Purpose. The Washington state board of accountancy is charged with protection of the public interest and ensuring the integrity of financial information as it relates to the licensure of ~~((certified public accountants~~ ~~(+))~~ CPAs ~~((+))~~ and CPA firms. The purpose of the QAR program is to monitor licensees' compliance with attest standards.

(2) Structure and implementation.

(a) The board will annually appoint a quality assurance review committee to perform the following functions:

(i) Review of financial statements and the reports of licensees thereon to assess their compliance with applicable professional standards;

(ii) Improvement of reporting practices of licensees through education and rehabilitative measures;

(iii) Referral of cases requiring further investigation to the board ~~((or its designee))~~; and

(iv) Such other functions as the board may assign to the committee.

(b) Once every three years the board ~~((may request from))~~ will require each licensed firm ~~((, and such))~~ to participate in the board's quality assurance review program. Participating firms will be notified by the board in January of the reporting requirement, and participating firms will be required to submit a quality assurance review status form, along with the appropriate fee, by the following April 30th. Failure to submit a complete quality assurance review status form postmarked by the April 30th due date, will result in the assessment of late fees. The board may waive late fees based on financial hardship, critical illness, or active military deployment.

(c) Each participating firm shall submit, for each of its offices, a compilation report, a review report, and an audit report. A firm shall select these reports from all reports prepared during the twelve months preceding the date of board request or, if no reports have been issued within the last twelve months, from all reports during the preceding three years.

If reports issued by all offices of a firm are reviewed and issued in a controlled, centralized process, only one of each of the reports specified above need be submitted by the firm as a whole.

~~((+c))~~ (d) The board may exempt from the requirement of ~~((+b))~~ (c) of this subsection any firm which has participated in a board-approved peer review program within the three years immediately preceding the date of board request. Firms requesting

exemption must submit a copy of an unmodified report, letter of comments, response to letter of comments, if applicable, and letter of acceptance from the reviewing organization. Firms that receive modified peer review reports may request exemption, but must submit copies of such reports and related correspondence, at the discretion of the board, for consideration on an individual basis.

~~((d))~~ (e) Any documents submitted in accordance with ~~((b))~~ (c) of this subsection may have the name of the client, the client's address, and other identifying factors omitted, provided that the omission does not render the type or nature of the ~~((enterprise))~~ entity undeterminable. Dates may not be omitted.

~~((e)) The committee may solicit and review financial statements and related reports of licensees from clients, public agencies, banks, and other users of financial statements.))~~

~~(f) ((In gathering information about the attest work of licensees, the committee may make use of investigators, either paid or unpaid, who are not themselves members of the committee.~~

~~(g) The identities of the sources of financial statements and reports received by the board or the committee from other than the licensees who issued the reports shall be preserved in confidence.))~~ Reports submitted to the committee pursuant to ~~((b))~~ (c) of this subsection and comments of reviewers, the committee and the board on such reports or workpapers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the board to the licensees who issued the reports or disclosure is required under administrative procedure rules or by direction of a court of law.

~~((h))~~ (g) The committee's review of financial statements and reports of the licensees thereon shall be directed toward the following:

(i) Presentation of financial statements in conformity with generally accepted accounting principles;

(ii) Compliance by licensees with generally accepted auditing standards;

(iii) Compliance by licensees with other professional standards; and

(iv) Compliance by licensees with the rules of the board and other regulations relating to the practice of public accounting.

~~((i))~~ (h) If the board determines that a report referred to the board by the committee is substandard or seriously questionable with respect to applicable professional standards, the board may take one or more of the following actions:

(i) Send the licensee ~~((firm))~~ a letter of comment detailing the perceived deficiencies and require the licensee to develop quality control procedures to ensure that similar occurrences will not occur in the future;

(ii) Require any ~~((individual))~~ licensee who had responsibility for issuance of a report, or who substantially participated in preparation of the report and/or related workpapers, to successfully complete specific courses or types of continuing education as specified by the board;

(iii) Require that the ~~((office))~~ licensee responsible for a substandard report submit all or specified categories of its

reports to a preissuance review in a manner and for a duration prescribed by the board. The cost of the preissuance review will be at the firm's expense;

(iv) Require the ~~((office or the))~~ licensee ~~((firm))~~ responsible for a substandard report to submit to a peer review conducted in accordance with standards acceptable to the board. The cost of the peer review will be at the ~~((firm's))~~ licensee's expense;

(v) Require the licensee ~~((firm))~~ responsible for substandard work to submit to on-site field review or other investigative procedures of work product and practices by board representatives in order to assess the degree or pervasiveness of substandard work. The board may assess the costs of such field review or procedures to the ~~((firm))~~ licensee if the results of such investigative efforts substantiate the existence of substandard work product;

(vi) Initiate an investigation pursuant to RCW 18.04.295, 18.04.305, and/or 18.04.320 ~~((if it appears that the professional conduct reflected in a substandard report is so serious as to warrant consideration of possible disciplinary action))~~.

(i) The board may solicit and review financial statements and related reports of licensees from clients, public agencies, banks, and other users of financial statements. In gathering information about the attest work of licensees, the board may make use of investigators.